6/15/87 C5150-6
HC
0000053C
CONGRESSIONAL INFO INC
4520 EAST-WEST HWY/STE 8 1GH
WASHINGTON DC 20014

National
Home Center News®

Vol. 13, No. 12 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. June 15, 1987

Home Depot facing $20M lawsuit in child's death

By Laura Liebeck
NHCN staff editor

MIAMI — The family of the child who was killed by falling lumber in a Home Depot store here has filed a $20 million lawsuit against the Atlanta-based retailer.

The child's parents Elton Lee Sr. and Barbara Lee of Goulds, Fla., filed suit in Dade County Circuit Court on May 27 alleging that Home Depot was negligent in not maintaining its premises and in stacking the lumber cart incorrectly so that it fell on their seven-year-old son, Elton Lee, on May 8.

Lawrence Smith, Home Depot's vp-legal, told *NHCN* on May 29 that he could not comment on the suit because he still had not seen the papers. He described the suit as "fairly common and, I guess, expected."

He said the chain was still investigating the situation to determine what happened, adding "it was an unfortunate accident."

Elton was killed when a lumber cart, manufactured by Win-Holt, filled with

(Continued on page 62)

Lanoga consolidates two divisions

Closes 6-month-old marketing/merch. div.

By Brad Altman
NHCN staff editor

OLYMPIA, Wash. — Hoping to recover from its first unprofitable year in company history, Lanoga Corporation has consolidated its Alaskan-based Spenard Builders Supply with its Lumbermen's division based here.

The 10-unit Spenard chain was hard hit by the Alaskan oil-related recession in 1986, posting a 32 percent sales decline and closing two stores.

In related belt-tightening moves, the 130-unit Lanoga chain laid off more than two dozen employees and shuttered its six-month-old corporate merchandising/marketing office located in the Seattle suburb of Redmond.

> "[The Lanoga board] has the old lumberyard mentality,...they made short-term decisions not long-term ones."
>
> **—Monte Leen,** *former vp, merchandising/marketing, Lanoga*

The extent of the red ink flow could not be determined because the privately held company, which had estimated sales of $322 million in 1986, does not disclose financial information. Lanoga's major shareholder is the family owned, Seattle-based Laird Norton Co. Lanoga Chairman Gary MacLeod declined to be interviewed for this story.

At Spenard, 12 employees lost their jobs. The chain's president Dencil Gold resigned, but Lanoga is offering him another job at the Olympia office.

The layoffs included eight persons at the corporate buy-

(Continued on page 61)

Newly developed billboard fabric promises better looks, longevity

By Elizabeth Brent
NHCN staff editor

NEW YORK— The Outdoor Network USA introduced a new fabric for billboards here at its press conference on May 27.

The vinyl coated material, called Superflex, took five years to develop and could be a major breakthrough for outdoor advertising.

The ad is printed on the fabric and then stretched tightly across the front of the bulletin frame, and held in place by hardware at the back.

(Continued on page 61)

Superflex is a new fabric used for billboards which comes rolled in a tube and can be used more than once.

Net Sales:	$180,799,000
Cost of Sales:	$132,951,000
Gross Profit:	$47,848,000
Selling, General and Administrative Expenses:	$33,194,000
Operating Income:	$14,654,000
Interest Expense:	$2,042,000
Pretax Income:	$12,612,000
Income Taxes:	$5,546,000
Net Income:	$7,066,000
Weighted Average Shares Outstanding:	14,000,000

Easco offering nets $31 mil.

By Ariane Sains
NHCN staff editor

HUNT VALLEY, Md. — After several years of financial hard times, Easco Hand Tools appears on the road to recovery.

On May 18, the company went public with an initial stock offering of 4.5 million shares. The company raised $31 million with the issue. Company managers, who sold some of their closely held stock at the same time, raised another $15.5 million for themselves.

Easco plans to use a portion of its proceeds to pay off debt incurred

(Continued on page 61)

Wholesalers duck Canadian lumber tax

By Milford Prewitt
NHCN staff editor

OTTAWA, Ont. — Some American lumber wholesalers, in collusion with their Canadian mill suppliers, may be ducking the Canadian export tax by misclassifying construction-grade lumber as products excluded from the 15 percent duty, industry and customs officials fear.

Government officials and other industry observers are unsure how widespread the practice is. But those contacted did not think it was rampant or would weaken the export tax agreement between the U.S. and Canada.

Since certain products are excluded from the agreement, some industry operators believe some companies have found a way to import taxable products by calling them items in excluded categories.

NHCN has learned that at least one Canadian forests products producer is weighing punitive action against one of its mills' shipping and dock managers who is accused of having abetted an American friend to mislabel construc-

(Continued on page 62)

Canadian lumber exports to U.S. decline while overseas shipments expand:

	U.S. shipments	Overseas shipments
	(In million bd. ft.)	
Jan.-Feb. 1987	2,114.2	410,198
Jan.-Feb. 1986	2,260.5	340,313
	(In thousands Canadian dollars)	
Jan.-Feb. 1987	$594,354	$190,386
Jan.-Feb. 1986	$606,061	$139,689

Source: Statistics Canada
NHCN chart

While Canadian export figures are only as recent as February, comparison between the first quarters for 1987 and 1986 show that exports to the U.S. have dropped while shipments to overseas have risen.

INSIDE

MIS directors give helping hand to operations 23
Strober moves data info. to all depts.26

Dealers test upscale bath accessories but aren't ready for plunge into Euro-styles 28

NEWSBREAKS

COAST-TO-COAST TO GO PUBLIC: The Denver-based buying group has filed with the SEC for a $25.5 million public offering.

TEXAS LIEN LAW REFORM PASSES: A bill to penalize contractors for misuse or misallocation of construction funds was approved by the Texas state legislature.

FAGEN'S BUYS RETAILER: On May 22 Fagen's, Verona, Pa., acquired two-unit Eliot Whittington Builders Supply Co., Memphis, Tenn.

INDUSTRY UPDATE

Clairson on *BusinessWeek* list

NEW YORK — Clairson International, the Ocala, Fla.-based maker of storage products sold under the "Closet Maid" name, was recently named one of the top 100 small businesses in the U.S. by *BusinessWeek Magazine*

The publication evaluated more than 6,700 firms and based its assessment on three criteria: sales and earnings; growth computations; and return on capital.

Clairson ranked 45th, with sales in 1986 of $61.9 million that rose 46.2 percent over the previous year; earnings of $6.8 million up 57 percent; and return on capital up 22.9 percent.

Wickes closes 7 Western units

SANTA MONICA, Calif. — Citing unspecified "business reasons," Wickes Cos. is closing seven home centers in Texas and New Mexico that it acquired last year from W.R. Grace.

Wickes is closing Handy Dan units in Amarillo, Midland and Odessa, Texas; one Allwood unit in San Angelo, Texas; and three Allwood units in Hobbs, Santa Fe and Roswell, N.M.

A company statement said the decision to shutter the stores "was made after a careful analysis of those particular markets and the company's long-range plans for its home center operations in Texas and New Mexico."

Wickes' Irvine, Calif.-based Builders Emporium division is continuing to operate three Allwood stores in Albuquerque, one Cashway store in Las Cruces, N.M., and four Cashway stores in El Paso, Texas.

Lumber HQ opens largest unit

BRONX, N.Y.— Lumber Headquarters opened its thirteenth and largest home center here last January.

The 65,000-square-foot store is "more contractor oriented," said Richard Hoverman, gm of the Floral Park, N.Y., chain. "Already it is the number one sales volume store in the chain."

"It's a virgin market for us, and there's not as much competition."

Dixieline opens Handyman unit

SAN DIEGO — Dixieline Lumber opened the second unit it took over from Handyman in late May, raising its store count to seven. At least three other San Diego-area ex-Handymans are slated to open under the Dixieline name and format by year end.

William S. Cowling, Dixieline president, said Rancho San Diego, a 41,000-square-foot store, opened May 30. He added that the next Handyman conversion store, the 60,000-square-foot Convoy/Kearny Mesa, is targeted to open in August.

Dixieline completed its first Handyman conversion, in La Mesa, Calif., in March.

Ace rolling out DCs

OAK BROOK, Ill. — Co-op Ace Hardware continues to roll out distribution centers across the country. It has begun construction on its 360,000-square-foot facility in Huntersville, near Charlotte, N.C. This will be Ace's 14th DC, as the firm completed construction on a warehouse in Hartford, Conn., last April. It has already secured a location in Sacramento, Calif., keeping to its policy of having a DC to service stores within a 100-mile radius.

This growth mirrors Ace's overall growth, with this year's April sales running 13 percent ahead of last year's, according to John Cameron, company spokesman. Ace generated $1.61 billion in sales in 1986.

Stocks post mixed results

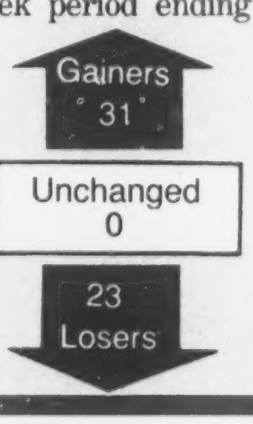
NEW YORK — Wall Street showered mixed blessings on home center stocks for the two-week period ending May 29.

Scotty's stock went up 11.2 percent to $13.63 while The Home Depot increased 9.8 percent to $33.50.

Wickes Cos. increased 7.4 percent to $3.63. Lowe's stock also increased, by 6.9 percent to $27.25.

Grossman's declined 15.8 percent to $8.00. Hechinger A fell 7.5 percent to $21.50.

See financial tables, page 58.



If you spot home center industry news, call the *NHCN* NEWS HOTLINE:

1-800-NHC-NEWS

(1-800-642-6397)

FOR SUBSCRIPTION INFORMATION CALL:

(212-371-9400 EXT. 379)

Available throughout the U.S. except New York State and Alaska: 212-371-9400, 9-5:30 (E.S.T.)

Pay 'N Pak names committee to consider takeover proposals

By an NHCN staff editor

KENT, Wash. — Pay 'N Pak Stores, which rejected as "inadequate" a takeover bid from Paul Bilzerian in April, said it has received a new bid from the Florida investor as well as one from an unidentified concern "active in the LBO field."

The Pay 'N Pak directors met June 3 to consider both proposals, but instead appointed a special committee to continue its evaluation.

Shortly before the board met, both parties bidding for Pay 'N Pak sweetened their bids for the firm. These last minute changes in bids may have resulted in the delay by Pay 'N Pak's board, which nevertheless said it was likely a decision would be reached in a matter of days.

The day the board met, Bilzerian said he had sweetened his offer by changing the type of preferred stock that current stockholders would receive.

The revised offer from Bilzerian amounted to $20.50 per share, or $205 million for all outstanding shares of the firm. This would be paid in a blend of $16.67 in cash and $3.83 in 16 percent preferred stock, for each share of outstanding stock. The second part of this bid was up slightly from the $3.33 value of the 16 percent preferred stock he had previously offered.

The second unidentified bidder had recently sweetened its own offer to $17.50 in cash and $2.50 in liquidation value of 17.5 percent cumulative preferred stock. (The company had previously offered 13.5 percent cumulative preferred stock.)

"Basically, you've got two offers on the board," said Bo Cheadle, an analyst at Montgomery Securities, who said it was noteworthy that neither bid came from the home center industry, which indicates the industry's concern over the viability of the 107-unit chain's

(Continued on page 62)

Wickes earns $84M on revenues of $5B

By an NHCN staff editor

SANTA MONICA, Calif. — It's got more assets. It's got more revenues. It's got more cash flow.

But it's still not making a lot of money.

That's the story of Wickes today versus one year ago, as described in the firm's annual report mailed to shareholders last month.

Total revenues for the company in 1986 came to $4.8 billion, a 70 percent increase over the previous year.

Yet earnings came to only $83.8 million. The 1.8 percent net margin represents more than anything else the challenge the firm faces in the coming year.

Wickes 1986 Results
($ million)

Sales	$4,770
Cost of Goods Sold	3,410
SG&A	1,100
Operating income	260
Interest	−196
Income from continuing operations	74
Net income	84

Source: Wickes 10-K — *NHCN* chart

Wickes reported 1986 earnings of $84 million, or 1.8 percent of revenues. NHCN chart

For this year's first quarter ended May 2, revenues came to $1.5 billion, and net from operations were $92 million.

Investors are waiting for improved operational results from a company that got headlines from asset plays in 1986.

The company's stock price has been recently trading around $3.50, near the lower end of the $3.33 to $7 spread experienced in 1986.

Matters aren't helped by the firm's $2.3 billion in long term debt and capitalized leases. The 68.6 percent of debt to total capitalization adds to the risk of the stock.

As a result of its well-publicized acquisitions and divestitures in the past year, Wickes feels it has created the right springboard to leap to greater profitability.

(Continued on page 61)

Beatrice spins off holding company

By an NHCN staff editor

CHICAGO — Beatrice Company is spinning off some subsidiaries, including Aristokraft kitchen cabinets and Chicago Specialty plumbing fittings, into a new public company called E-II Holdings Inc.

Beatrice registered with the Securities Exchange Commission (SEC) May 20 for an initial public offering.

The 36 million shares of common stock will probably be offered later this month or early July. It will be priced between $15 and $18 per share, according to Charles Long, director of corporate communications.

E-II to make debt offer

Part of the net proceeds will be used to repay an $80 million note to BCI Holdings, the company which acquired Beatice in April 1986 in a $6.2 billion leveraged buyout. The formation of EC-II Holdings is the last part of the reorganization of Beatrice.

Concurrently, E-II Holdings is making a debt offering of $1.5 billion, consisting of $750 million principal amount of senior subordinated notes due 1997 and $750 million principal amount of subordinated debentures due 1999. Drexel Burnham Lambert will be the sole underwriter of the debt offerings, a portion of which will be used to repay another $720 million in debt owed BCI.

Donald P. Kelly, chairman and ceo of BCI Holdings will also act as chairman and ceo of E-II Holdings Inc. NHCN photo

Acquisition divison

E-II Holdings will consist of four separate divisions: consumer products; food specialties; and two divisions formed to make acquisitions. Of these, one division will specialize in midsize acquisitions to complement the existing companies.

There are nine independently operated companies in the consumer segment including Samsonite casual furniture; Home Fashions (formerly LouverDrape); Del Mar window covering companies; Dearborn Brass; Chicago Specialty and Aristokraft. Together they generated sales of $1.1 billion in the fiscal year ending Feb. 28, 1987.

The individual companies will keep their own officers, and Donald P. Kelly, chairman and ceo of BCI Holdings, will also act as chairman and ceo of E-II Holdings.

INDEX

Advertisers Index	52
Advertising & Marketing	36-39
Behind the Numbers	57
Business Watch	12,13
Calendar	52
Classified	55,56
Editorial	14
Home Center Market Summary	58
Housing Watch	16
Independent Strategies	46,47
Inside the Aisles	34
Lumber Report	
Merchandising	28-34
New Products	49-51
Perspectives	23
Systems & Operations	40-44
Washington View	14

BUSINESS WATCH

*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a flattening in building material sales during the second half of 1987. Resales remained strong in the first quarter, but the rise in mortgage rates suggests lower starts and resales ahead.

Higher mortgage rates indicate decline in bldg. material sales

By Richard E. Mount
Special to NHCN

The sharp rise in mortgage rates, up almost a full two percentage points during April and May, will curtail housing starts and resales in the second and third quarters of this year.

Rates will remain high through 1988. Building material sales will be lower in the second half of 1987 and the recovery not as strong in 1988 due to the slackened pace in construction. For 1987, retail building material sales are now likely to increase nine percent, down from our prior forecast of 11 percent. Adjusted for price increases, unit volume sales will be up 7 percent in 1987, marking another record year.

Richard E. Mount

The *NHCN* Leading Indicator, which has proven to be a good predictor of building material sales in the past, is suggesting a rise of eight percent in unit volume.

Foreign intrigue

Interest rates are currently being driven by the international value of the dollar. As the dollar declined to its lowest level against the yen in the postwar years, money managers, fearing that the Federal Reserve would attempt to stabilize the dollar by boosting interest rates, bid up rates. Then, inflationary expectations picked up when agricultural prices began to rise at the same time.

(Continued on page 13)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

		1985 QIV	1986 QI	1986 QII	1986 QIII	1986 QIV	1987 QI	1987 QII	1987 QIII	1985	1986	1987
NHCN Leading Sales Indicator (January 1980 = 100)		123.4	124.7	127.9	132.1	137.1	138.6	140.2	141.8	118.5	130.4	140.3
General Economic Outlook												
	GNP $1982 Billion	3,622.3	3,655.9	3,661.4	3,686.4	3,696.1	3,735.9	3,741.7	3,761.4	3,585.2	3,675.0	3,754.6
	Real Disposable Income $1982 Bil.	2,540.7	2,581.2	2,625.8	2,605.5	2,595.4	2,612.0	2,629.9	2,645.9	2,528.0	2,602.0	2,636.8
	Housing Permits (000 SAAR)	1,741	1,834	1,822	1,678	1,695	1,695	1,575	1,550	1,733	1,762	1,668
	Housing Starts (000 SAAR)	1,797	1,938	1,878	1,758	1,702	1,801	1,620	1,600	1,742	1,806	1,655
	New Home Sales (000 SAAR)	706	791	794	685	712	711	675	670	688	749	683
	Resales (000 SAAR)	3,501	3,256	3,470	3,615	3,927	3,625	3,450	3,425	3,214	3,565	3,481
	Prime Rate %	9.5	9.4	8.6	7.9	7.5	7.5	8.1	8.5	9.9	8.4	8.2
	Mortgage Rate % (HUD)	11.8	10.8	10.1	10.2	9.7	9.1	10.3	10.4	12.5	10.2	10.1
	Consumer Price Index (1967 = 100)	326.5	327.7	326.3	328.4	330.7	335.0	339.8	341.6	322.1	328.3	340.5
	Producer Price Index (1967 = 100)	296.4	292.1	288.5	288.2	290.2	292.3	296.8	298.2	293.9	289.8	297.2
	New Housing Affordability 1980-100)	120.5	128.6	129.4	126.1	128.9	128.4	120.6	117.4	117.6	128.3	121.1
Residential Alterations and Repairs												
Current	**Total $ millions SAAR**	**89,200**	**91,800**	**83,300**	**104,400**	**86,700**	**89,885**	**92,119**	**94,744**	**80,267**	**91,416**	**93,591**
	Maintenance and Repair	39,000	37,700	29,800	40,600	36,300	37,570	38,288	39,094	35,358	35,990	38,697
	Additions and Alterations	30,500	33,900	39,600	44,700	35,400	35,386	36,236	37,601	28,775	38,662	37,096
	Major Replacements	19,600	20,200	13,900	15,000	19,100	16,929	17,594	18,049	16,134	16,766	17,799
Constant	**Total Millions $1982 SAAR**	**81,453**	**83,655**	**74,114**	**96,100**	**83,969**	**82,300**	**83,510**	**85,040**	**74,614**	**84,459**	**84,400**
	Maintenance and Repair	35,633	34,355	26,514	38,900	33,569	34,400	34,710	35,090	32,864	33,334	34,900
	Additions and Alterations	27,882	30,892	35,233	42,828	32,737	32,400	32,850	33,750	26,791	35,423	33,450
	Major Replacements	17,918	18,408	12,367	14,372	17,663	15,500	15,950	16,200	15,180	15,702	16,050
Retail Trade Activity												
Current	**Total $ millions SAAR**	**1,398,048**	**1,414,624**	**1,431,108**	**1,486,596**	**1,485,648**	**1,472,336**	**1,511,155**	**1,534,076**	**1,379,621**	**1,445,875**	**1,517,873**
	Total Minus Automobile	1,091,088	1,104,376	1,109,508	1,122,908	1,133,900	1,157,804	1,166,438	1,188,030	1,067,762	1,117,943	1,178,602
	Building Material, Hardware, Garden Supply, Mobile Home	79,820	86,136	87,528	88,884	89,488	91,328	94,627	96,917	75,556	88,009	95,065
	Building Material and Supply	59,224	63,708	64,396	62,956	64,584	68,720	71,018	72,836	55,695	65,529	71,661
	Hardware	10,700	10,500	10,884	11,832	1,748	12,204	12,466	12,668	10,397	10,700	12,542
Constant	**Total Millions $1982 SAAR**	**1,297,281**	**1,315,572**	**1,347,130**	**1,387,454**	**1,375,074**	**1,346,187**	**1,368,000**	**1,375,000**	**1,287,616**	**1,356,308**	**1,367,047**
	Total Minus Automobile	1,018,123	1,035,810	1,059,027	1,064,042	1,066,022	1,070,696	1,068,000	1,077,000	1,003,247	1,056,225	1,073,674
	Building Material, Hardware, Garden Supply, Mobile Home	75,299	80,855	84,482	84,599	83,399	84,352	86,534	87,750	71,575	83,334	86,485
	Building Material and Supply	55,870	59,791	62,149	59,924	60,188	63,469	64,750	65,750	52,705	60,513	65,042
	Hardware	10,096	9,857	10,508	11,262	10,949	11,272	11,400	11,470	9,860	10,644	11,411
	Building Materials % of Total Less Automobile ($Current)	5.43	5.77	5.80	5.61	5.70	5.94	6.09	6.13	5.22	5.86	6.08

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
June 15, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Higher mortgage rates mean decline in sales

(Continued from page 12)

The Fed tightened its policy in the spring to stabilize the greenback, but it remains caught between concerns with the dollar and the economy. A too-rapid jump in interest rates puts markets, such as housing, autos and business equipment, into tailspins.

Mortgage rates edge up

Mortgage rates should edge back to 10.4 percent in the second and third quarters. The financial market overreacted to the Fed, and the movement in agricultural prices may be signaling temporary weather problems with planting, not sustainable prices.

By the end of 1987, rates will begin to rise anew and could reach 11.2 percent by the end of 1988. The economy will be picking up momentum, and credit demands will be up. Inflation will be running at about five percent, up from two percent in 1986, as the lower dollar forces imported prices higher and gives domestic producers increased pricing flexibility.

Housing to drop

Housing starts, especially single units, will fall in the near term. Building permits for single units declined eight percent in April. This usually leads changes in starts by one to three months. Builders continue to have too many model homes, and higher loan rates will force many to cut the asking price to reduce inventories.

Housing will not crash during this time, however. While mortgage rates will be rising, consumers' income will expand. Recently, income has been anemic in the face of a soft economy since mid-1984.

New home prices will moderate, making them more affordable. Builders will offer various buy-down programs to keep demand up. Adjustable-rate mortgages now represent less than 20 percent of the total; a few years ago they were 65 percent. With adjustables one percentage point less than fixed-rate, a shift back to ARM's combined with larger down payments and longer loan maturities would mitigate much of the rise in mortgage rates.

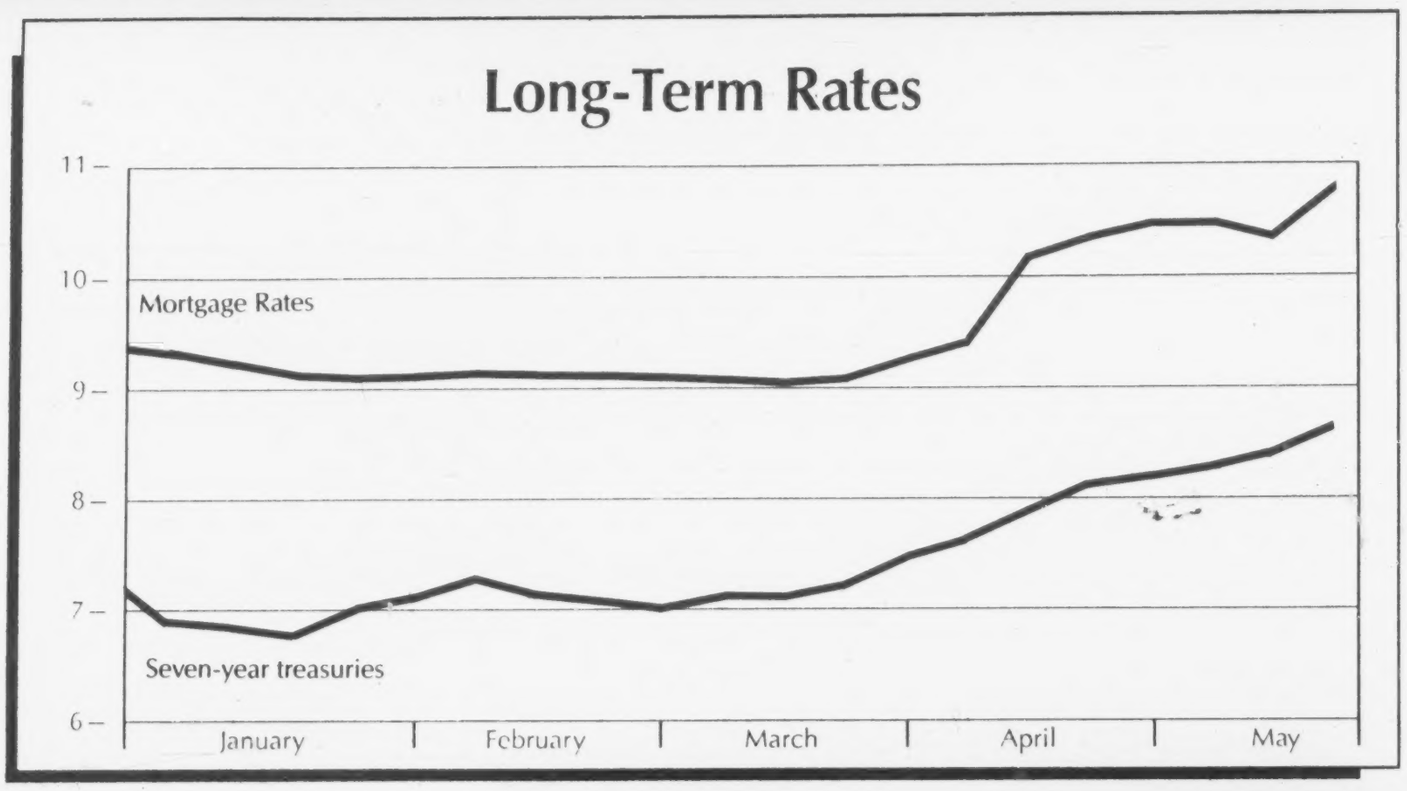
Housing starts are now expected to total 1.66 million units for 1987 and 1.63 in 1988. While down from 1.81 million in 1986, they still represent a strong level after a five-year expansion. Resales should remain near 3.45 million units during this time, down from 3.57 million in 1986. Potential home buyers will turn to resales because the price difference between new housing and resales is about $15,000.

Sales weaker than expected

Retail building material sales will not be as strong as we had expected because of weakness in single-unit housing starts, in particular, and resales to a smaller degree. Smaller builders, who have less financial resources for buy downs, will reduce starts more than larger firms.

The weakness that we had previously envisioned in housing was concentrated in multiunits, which were correcting for overbuilding and the new tax law. Multiunit construction obtains a larger part of its materials through the wholesale market than singles.

Building material sales will still post record years in 1987 and 1988, propelled by higher incomes and strength in resales. Support from new housing, however, will be less in most regional markets.



Armstrong.
The Source for DIY Flooring.

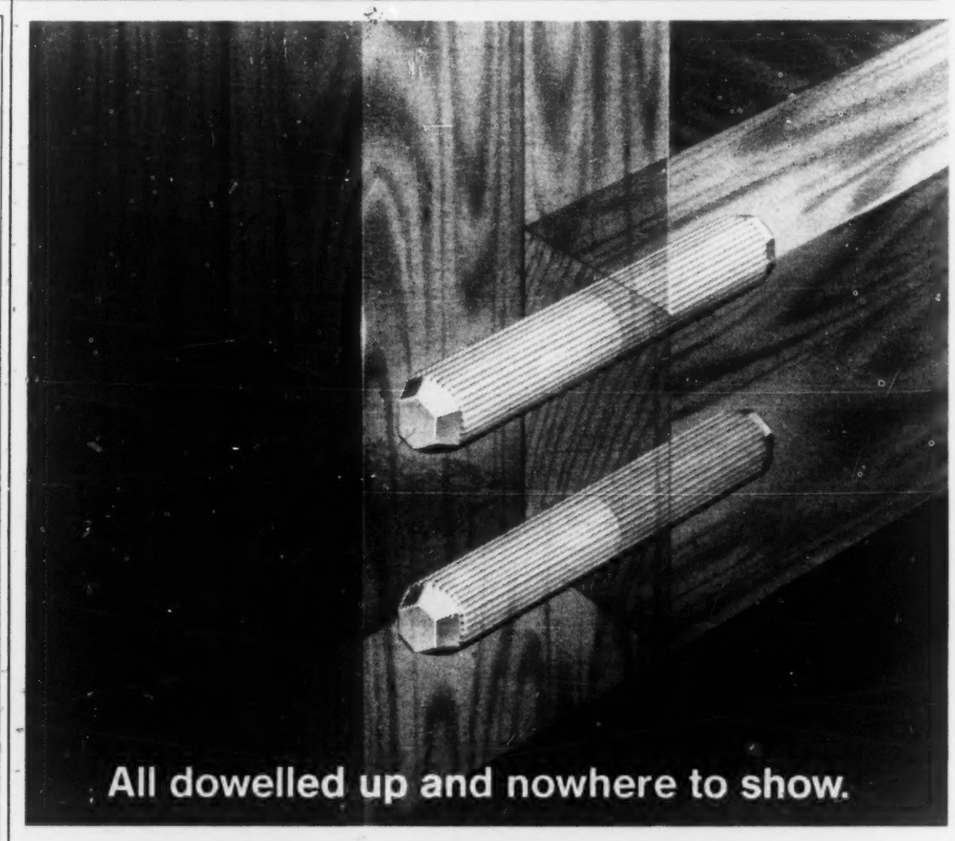
If you're serious about going after the DIY flooring market. Armstrong's complete product line—sheet goods and tile—and state-of-the-art merchandising centers are the only way to go!

For more information on how you can profit from Armstrong DIY floors and floor products, write:

Armstrong
Dept. 51FNC, P.O. Box 3001
Lancaster, PA 17604
Attn: Randy Iles, Manager, DIY Floors

Armstrong
PROFIT FROM OUR EXPERIENCE

Circle 18 on Reader Service Card



Merillat provides the quality that delivers the profit with solid oak double-dowelled front frame construction in all Merillat kitchen and bath cabinetry.

Merillat®
AMERICA'S CABINETMAKER™
Merillat Industries, Inc., Adrian, MI 49221
A MASCO COMPANY
CIRCLE 055 ON READER SERVICE CARD

Is your fan cloud missing 40% of the market?

It is if the highest priced fan you're selling is only $59.

Because the truth is, fans retailing at $60 or more comprise 40% of all industry dollar sales.

Hunter offers a full range of quality fans people are buying every day. From our $79 Summer Breeze and $99 Low Profile fans to our famous $149 Hunter Original.

For more information, call Jim Barrett at (901) 745-9322. Or write us at 2500 Frisco Ave., P.O. Box 14775, Memphis, TN 38114.

All you have to gain is 40% of the market.

HUNTER™ Fans.

Hunter Fan Company. Building The Best For Over 100 Years.
Ceiling Fans • Air Conditioners • Thermostats • De-Humidifiers • Humidifiers

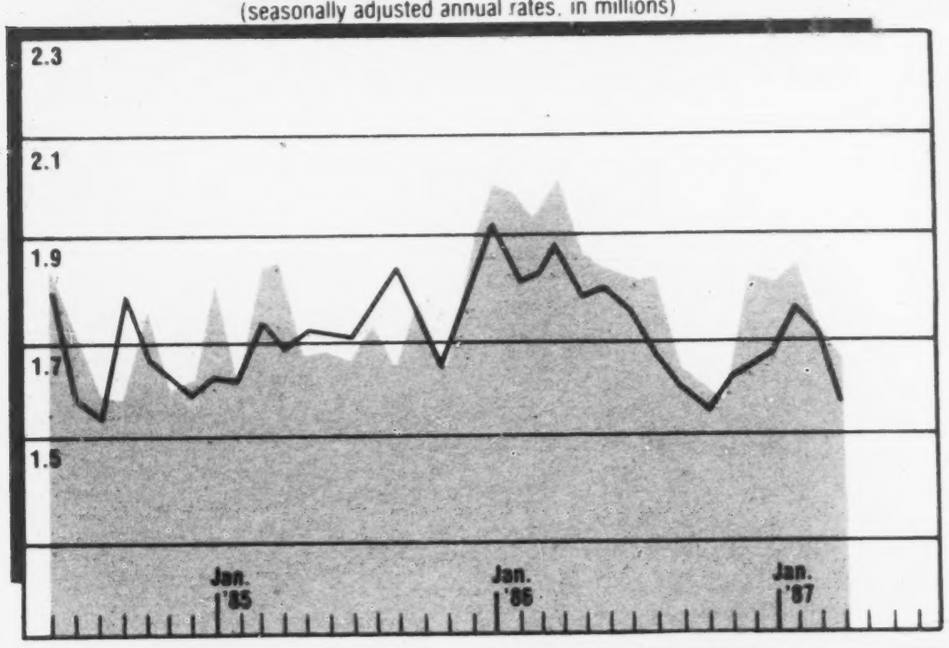
Circle 019 on Reader Service Card

Quality and Price...
TITON
When you need quality products at the right price—call Titon—the Consumers' Choice.
Ask to see our broad range of products in your choice of color and style.
TITON INDUSTRIES, Inc.
P.O. Box 76940 / Atlanta, GA 30358 / 404-399-5252

Circle 17 on Reader Service Card

HOUSING WATCH

National housing starts and permits
(seasonally adjusted annual rates, in millions)

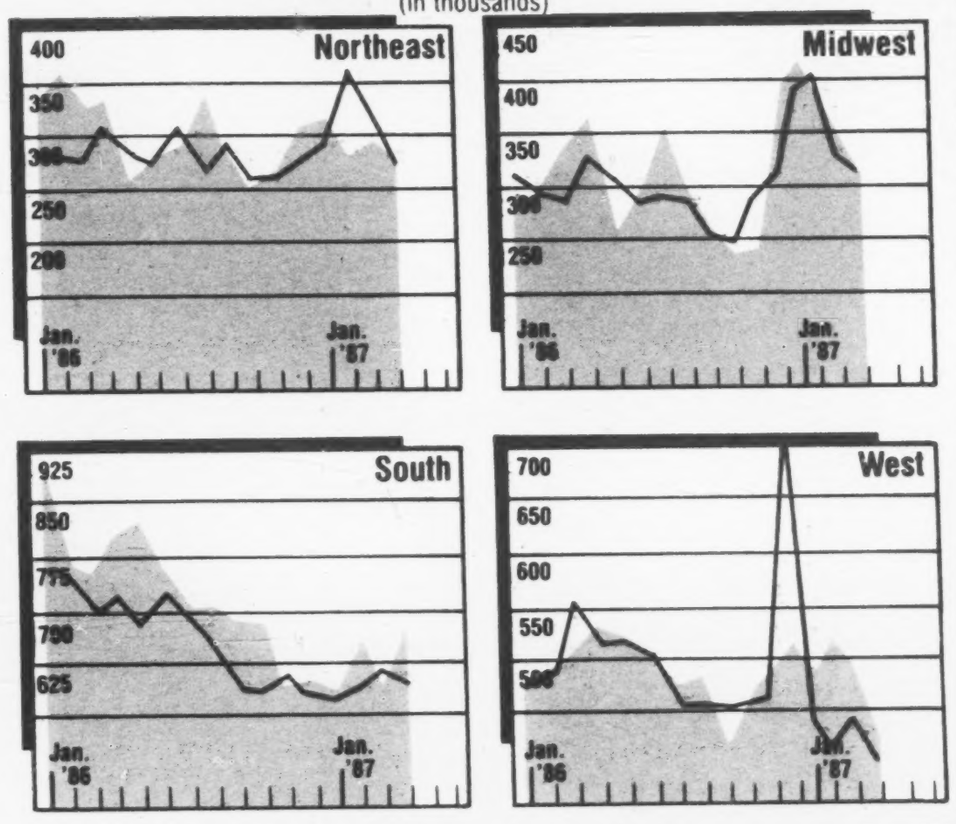


	Total U.S. starts	Total U.S. permits	Single-family starts	Single-family permits
April '87[p]	1,699	1,599	1,250	1,061
March '87[r]	1,749	1,719	1,226	1,150
April '86[r]	1,945	1,874	1,220	1,132

Key: permits, starts

Source: U.S. Commerce Dept. [p]-preliminary [r]-revised

Regional housing starts and permits
(in thousands)



Housing activity slips in April

By an NHCN staff editor

NATIONAL REPORT — The housing industry recorded declines in April.

The number of housing permits issued across the country fell seven percent in April to 1.599 million, the lowest since December 1984. Single-family permits dropped 7.7 percent to an adjusted 1.15 million units, the U.S. Commerce Department reported.

Single-family starts rise

Housing starts slipped 2.9 percent in April to an annualized 1.699 million units, the lowest this year.

The only positive note was a two-percent rise in single-family starts, to a seasonally adjusted 1.25 million units, 2.5 percent above 1986.

All four regions of the country reported that starts and permits declined in April and activity levels were below those of April 1986.

The decline in starts and permits was expected, said Gopal Ahluwalia of the National Association of Home Builders, (NAHB). He attributed most of the decline to slipping construction of multi-family housing.

NAHB predicts that 1987 will produce 1.6 million to 1.62 million starts instead of the previously reported 1.65 million units. Single-family starts should remain at 1.15 million units.

Regional Housing
April '87 (in thousands)

	starts	% chg.	permits	% chg.
Northeast	280	– 5.4	280	–11.7
West	427	–11.4	412	– 7.0
South	686	–11.5	596	– 4.5
Midwest	306	–14.0	311	– 7.2

Source: U.S. Commerce Dept.

Midwest sees large decline

The biggest decline in housing activity during April was recorded in the Midwest, where starts fell 14 percent from March to 306,000 seasonally adjusted units, 12.8 percent off April 1986. Permits fell 7.2 percent to 311,000 units, 3.4 percent below last April.

The smallest starts decline was recorded in the Northeast. Starts were down 5.4 percent to 280,000 units, 10.5 percent under 1986. This region also charted the largest drop in permits, down 11.7 percent to 280,000 units, 9.4 percent under April 1986.

Starts fell 11.4 percent in the West, to 427,000 units, 15.4 percent below last April. And permits fell seven percent to 412,000 units, 20.9 percent below last year.

In the South, starts declined 11.5 percent in April, 11.6 percent less than 1986. Permits fell 4.5 percent to 596,000 units, 17.5 percent less than April 1986.

The Closet Butler.
It can help Doris Tushman clean up her closets, while you clean up in profits.

You know Doris Tushman. She's the one with the messy closets. The closets that eat possessions.

Now you can help the Doris Tushman's of this world, by carrying the **Closet Butler.** It's an exciting innovation in ready-to-assemble closet storage. And it's a major improvement over the vinyl-coated wire shelving you currently stock.

CLOSET BUTLER™

- **The Closet Butler is free standing.** So Doris doesn't have to drill holes in her walls. She can organize her bedroom, the pantry and even the laundry room which has no closet. And you can use it as a point-of-sale display.
- **It comes in 2′ foot and 6′ foot widths.** Doris might buy a couple of each. That ought to make you happy.
- **It's modular.** So Doris can come back to you and purchase additional shelves, poles and drawers — even something called a cubby. That should make you even happier.
- **It's made of easy-to-clean laminate.** So while everyone marvels that Doris has custom-made closets, she knows that it cost a heckuva lot less.

Carry the Closet Butler. And watch it transform Doris Tushman from perpetual slob to "housekeeper of the year." Watch it transform your profit picture too.

11440 Lackland
St. Louis, MO 63146
For more information call Gusdorf Customer Service toll free: 800-325-3622.
In Missouri call 314-567-5249.

GUSDORF. Simple Solutions

Circle 21 on Reader Service Card

DECORATOR PANELS
PaperWorks™
Georgia-Pacific
Wood Paneling, Mende Paneling, Hardboard Paneling, Lauan Plywood Paneling, Real Wo

—6 New panels to complement any decor, 16 total
—The popular look of wallpaper, plus the DIY ease of paneling
—Available exclusively from Georgia-Pacific
Call your local Georgia-Pacific Distribution Center for more information.
©1986 Georgia-Pacific Corporation. 133 Peachtree Street, N.E., Atlanta Georgia 30303. Paper Works is a trademark of Georgia-Pacific Corporation.
Circle 024 on Reader Service Card

GREAT WOODS™
Paneling
Georgia-Pacific
Real Wood Paneling, Mende Paneling, Hardboard Paneling, Lauan Plywood Paneling

—New! 17 premium quality Real Wood Panels
—New random groove pattern for a wide plank look
—3-ply construction, same species back
—Designed for "high-end" consumer appeal
Call your local Georgia-Pacific Distribution Center for more information.
Great Woods is a trademark of Georgia-Pacific Corporation. © 1986 Georgia-Pacific Corporation. 133 Peachtree Street, N.E., Atlanta, Georgia 30303.
Circle 025 on Reader Service Card

REAL WOOD
Moulding
Georgia-Pacific
wn, Cove, Bed, Base, Chair Rail, Casing, Crown, Cove, Bed, Base, Chair Rail, Casing, Crown

—A complete line of high-quality unfinished moulding, meets WMMPA standards
—All popular pine and fir profiles, plus specialties
—Hard-working POS materials and displays also available
Call your local Georgia-Pacific Distribution Center today for full details.
© 1986 Georgia-Pacific Corporation. 133 Peachtree Street, N.E., Atlanta, Georgia 30303.
Circle 026 on Reader Service Card

LUMBER REPORT

Overcapacity, interest rates worry lumber wholesalers

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Lumber and building material wholesalers are worried about a number of recent economic indicators and fear that summer building activity will not be as lucrative as in the past.

While no one is predicting that the five-year housing boom is over, many distributors fear that the rise in interest and mortgage rates, coupled with an oversupplied market, will mean tough sledding in the months ahead.

Some lumber wholesalers say scenes like the one above—a heavily inventoried lumberyard filling a small order—foster their fears of an industry downturn this summer. NHCN photo

Distributors from the Northeast to the Pacific Northwest said they are haunted by the sight of lumber dealers with long inventory positions, builders who are committing to less starts, intense price competition from fellow wholesalers and—most disturbing of all—forecasts that housing starts will not exceed 1.6 million this year. In 1986, builders put up more than 1.8 million units.

"I think our industry is going to face some serious problems later this summer, perhaps even now," said John Radomsky, sales manager for Ajayem Lumber, a large, independent wholesaler based in Walden, N.Y. "It's like we went from winter to summer with no spring.

"Dealers are coming in, telling us 'I'm really surprised that I haven't shipped like I normally do for this time of year,' " Radomsky continued. "The market is almost 60 days late in developing and everybody seems to have anticipated their inventory needs incorrectly."

Inventory piling up

H.M. (Peter) Niebling, executive vp of the North American Wholesale Lumber Associationa (NAWLA), said a recent poll of some 100 geographically dispersed members validated some of Radomsky's concerns.

Niebling said while most of the wholesalers indicated that business was good in the first quarter, there were indications that inventories are too high, fueled principally by American producers oversupplying the market.

But rising interest rates, Niebling said, have darkened the outlook of many of his members.

"Most of the people I've talked to said they had a very strong first half, but they are pessimistic about the balance of the year," Niebling said. "They don't think it is going to stay as strong as it was the first five months and I agree with that.

"We are going to see some real softness by the end of the year, but this interest rate is still the key as to what will happen to demand.

"All indications now are that we are heading into a softening in the market. And if Washington or whoever keeps raising the interest rate we are going to bring housing to a halt."

Harlan Hummel, executive vp of the National Lumber and Building Material Dealers Association (NLBMDA), said casual discussions with with retail members throughout the country have yielded some optimism and reports of strong first and second quarters, but he said the long-range signs were not encouraging.

"Everything is in place for a downturn and there is no question that there is some pessimism out there," Hummel said. "I think the general feeling is that the industry can handle mortgage rates up to 13 percent, but anything higher will not be good for business."

(For the month of April, the most recent period tracked by the Federal Home Loan Bank Board (FHLBB), the fixed effective rate for mortgages was 9.3 percent, up from 9.12 percent in March. However, the FHLBB added that in the past few weeks some banks are charging between 10.25 and 11 percent on fixed mortgage loans. The May rates are scheduled to be announced June 15.)

Roger Anderson, vp and general manager of Anderson Forest Products, a major national distributor in Kirkland, Wash., is also concerned about the recent inflation in interest rates.

"We haven't noticed a decline in business at this point, but we are worried about what's happened to interest rates," Anderson said. "In our case, one of the good things is that our customers' customers had enough committed money and projects going and they are still busy.

"But it's scary to think that for every quarter percent rise in the mortgage rates, X-number of people are eliminated from the house buying market."

Working in a raincoat

Despite the gloom, a few wholesalers believe that their colleagues are worrying prematurely and needlessly.

Stephen Sabbeth, president of Sabbeth Lumber, Deer Park, N.Y., said the weather has been as much to blame for the current downturn as anything. Sabbeth argued that neither the Canadian export tax nor creeping inflation has disrupted the market as much as the wet weather.

"The market has been slow, at least in the Northeast anyway, because we've had very bad weather for about 45 days," Sabbeth said. "I think the outlook is strong, but the immediate effects of 45 days of rain can't be ignored.

"I think the pessimism you're finding out there is from going to work everyday with a rain coat on."

Sabbeth's notion that distributors are fretting ill-advisedly is shared by Ted Bloch, president of Bloch Lumber, a Chicago wholesaler.

"I think it is baloney that interest and mortgage rates are hurting the housing market," Bloch said. "People who are worried about it are whistling in an alley.

"At the moment, I don't think it will have any impact at all. It's only a blimp and it is not clear that it is nothing more than a correction in the market.

"I mean, after all, [interest rates have] only been up a few weeks."

Rock bottom prices

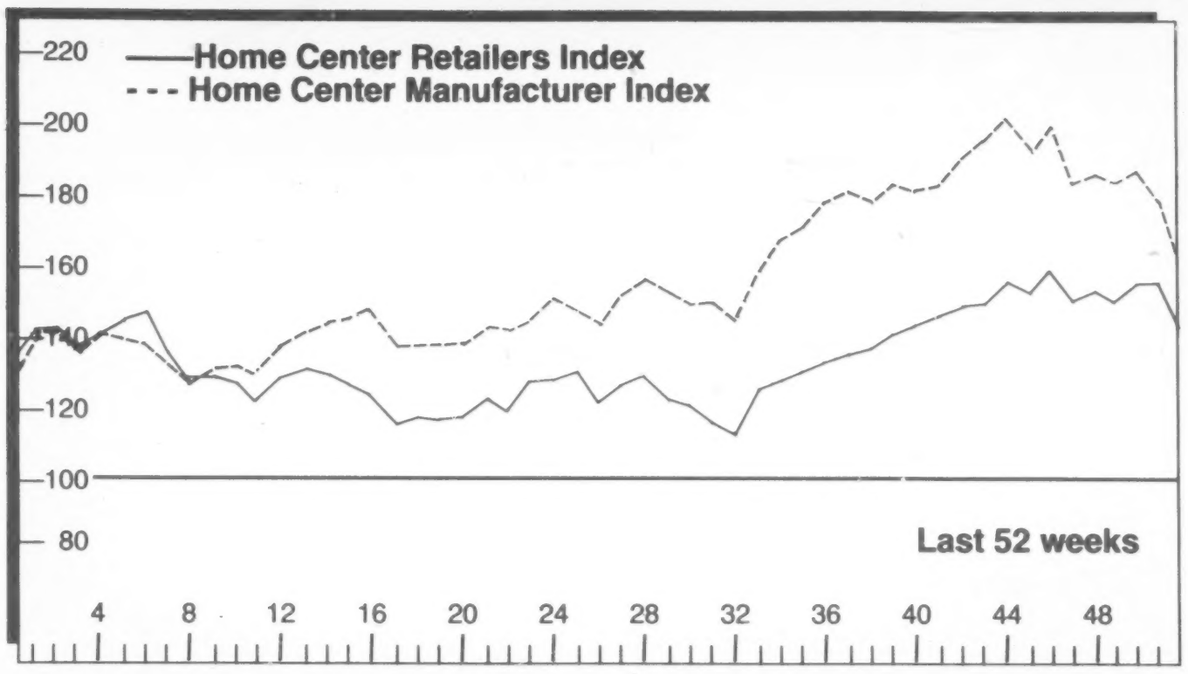
But the excessive oversupply problem has triggered a downward spiral on prices, according to Dave Bagdy, manager of lumber products for Sequoia Building Supply, Irvine, Calif.

Bagdy said competition among wholesalers is tougher with so much product in the pipeline and retailers living a close "hand to mouth" buying policy.

While Bagdy is not a doomsayer, he's not predicting that everything will come up roses, either.

"What you are looking at is a situation where your sales are not declining, but they are not as good as they would normally be either," Bagdy said. "We have been trying to work our inventory levels down and we're in pretty good shape, but with an extremely overproduced market it's going to hold prices back a bit."

FINANCIAL NEWS



The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
5-29-87	(100)	%	%
Forest City Ent ..... A	131	300.0	- 1.7
Potlatch Cp ..... N	12,547	278.4	1.2
Zayre Corp ..... N	58,307	208.8	7.1
DeSoto Inc ..... N	935	196.3	.6
Armstrng Wrld ..... N	17,464	174.6	- 4.9
Lowe's Cos ..... N	14,893	162.9	6.9
Owens Corn ..... N	40,681	159.2	- 6.0
Svc Merchandise ..... M	22,782	135.1	16.3
La Pacific ..... N	17,348	132.0	.8
Payless Cash ..... N	14,761	129.0	6.2

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*

PRICE MOVEMENT

Winners Company & Market	2-Weeks Ended 5-29	2-Week Price Change	Total 2-Week Volume
5-29-87	$	%	(100)
Svc Merchandise ..... M	6.25	16.3	22,782
Manville Cp ..... N	3.75	15.4	12,673
Scotty's Inc ..... N	13.63	11.2	1,724
Home Depot ..... N	33.50	9.8	17,533
Std Brd Pnt ..... N	23.63	7.4	2,539
Wickes Cos ..... A	3.63	7.4	51,609
Zayre Corp ..... N	26.50	7.1	58,307
Lowe's Cos ..... N	27.25	6.9	14,893
Black & Decker ..... N	23.50	6.8	39,006
Payless Cash ..... N	21.38	6.2	14,761
Losers	$	%	(100)
Grossman's Inc ..... M	8.00	- 15.8	520
Natl Hardgoods ..... M	7.00	- 9.7	315
Allegheny Int ..... N	17.00	- 8.7	7,235
Hechinger A ..... M	21.50	- 7.5	7,504
Owens Corn ..... N	25.38	- 6.0	40,681
Mor-Flo Inds ..... M	12.00	- 5.9	138
Hechinger B ..... M	22.00	- 5.4	1,247
Am Woodmark ..... M	14.38	- 5.0	213
Armstrng Wrld ..... N	36.25	- 4.9	17,464
Waxman Ind ..... M	10.25	- 4.7	513

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: 2-Weeks Ended 5-29-87	Price: 2-Weeks Change Amt.	Price: 2-Weeks Change Pct.	Price: 2-Week Range High	Price: 2-Week Range Low	Price: 52-Week Range High	Price: 52-Week Range Low	Volume: 2-Weeks Shares Traded Total	Volume: 2-Weeks Shares Traded % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue Amt.	Latest Quarter: Revenue Chg.	Latest Quarter: Net Income Amt.	Latest Quarter: Net Income Chg.	Latest Quarter: E.P.S. Amt.	Latest Quarter: E.P.S. Chg.	Year-to-Date: Revenue Amt.	Year-to-Date: Revenue Chg.	Year-to-Date: Net Income Amt.	Year-to-Date: Net Income Chg.	Year-to-Date: E.P.S. Amt.	Year-to-Date: E.P.S. Chg.
	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Forest City Ent ..... A	36.13	- .63	- 1.7	36.63	36.13	39.38	28.75	131	.32	.08	300.0	30.6	.30	.8	NEW	fiscal	01-87	39.2	- 51.6	(1.1)	- 100.0	.32	18.5	113.1	- 59.8	9.5	66.7	1.18	63.9
Grace W R ..... N	64.50	- .75	- 1.1	65.75	61.75	69.00	45.25	13,464	3.24	3.66	- 11.5	NE	2.80	4.3	.....	3 mos.	03-87	962.6	- 23.0	39.3	NE	.83	NE	962.6	- 23.0	39.3	NE	.83	NE
Grossman's Inc ..... M	8.00	- 1.50	- 15.8	9.50	8.00	11.25	6.75	520	.26	.40	- 35.0	NE	.00	.0	.....	3 mos.	03-87	192.0	- 18.3	(6.5)	NE	(.32)	NE	192.0	- 18.3	(6.5)	NE	(.32)	NE
Hechinger A ..... M	21.50	- 1.75	- 7.5	22.25	20.75	23.59	16.00	7,504	6.86	3.63	89.0	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	22.00	- 1.25	- 5.4	22.00	21.25	23.75	16.25	1,247	.76	.46	35.2	22.0	.06	.3	NEW	3 mos.	04-87	164.8	20.4	7.6	55.1	.24	50.0	164.8	20.4	7.6	55.1	.24	50.0
Home Depot ..... N	33.50	3.00	9.8	33.88	29.50	33.88	15.88	17,533	6.31	3.39	86.1	29.6	.00	.0	NEW	3 mos.	04-87	334.0	50.0	12.8	151.0	.43	115.0	334.0	50.0	12.8	151.0	.43	115.0
INTERCO Inc ..... N	40.13	.25	.6	40.25	38.00	47.63	36.63	9,293	3.26	2.41	35.3	12.8	1.60	4.0	.....	fiscal	02-87	651.5	11.7	31.0	.3	.99	2.1	2613.7	4.1	98.6	6.8	3.13	7.2
K mart Cp ..... N	59.88	.50	.8	61.38	57.25	68.00	43.25	36,184	2.69	2.04	31.9	13.4	1.74	2.9	.....	fiscal	01-87	6934.3	2.7	300.7	2763.8	2.23	2377.8	23812.0	6.2	598.0	170.3	4.47	158.4
Lowe's Cos ..... N	27.25	1.75	6.9	27.88	23.25	40.75	22.50	14,893	3.76	1.43	162.9	19.1	.40	1.5	NEW	3 mos.	04-87	569.2	6.6	12.9	13.2	.33	6.5	569.2	6.6	12.9	13.2	.33	6.5
Natl Hardgoods ..... M	7.00	- .75	- 9.7	7.25	7.00	10.00	6.59	315	2.56	1.23	108.1	10.0	.00a	.0	.....	fiscal	01-87	10.6	17.8	.5	400.0	.35	400.0	36.4	8.7	1.0	100.0	.70	94.4
Natl Lumber ..... M	5.63	- .13	- 2.2	6.13	5.50	7.50	4.00	236	.42	.52	- 19.2	NE	.00	.0	.....	fiscal	01-87	40.2	17.2	(1.9)	NE	(.35)	NE	151.3	11.3	(2.4)	NE	(.43)	NE
Pay n Pak ..... N	20.75	.50	2.5	21.00	19.63	21.00	9.50	7,282	7.28	6.50	12.0	36.4	.40	1.9	NEW	fiscal	02-87	82.9	10.1	.4	- 69.2	.04	- 69.2	398.1	19.7	5.7	- 30.5	.57	- 30.5
Payless Cash ..... N	21.38	1.25	6.2	21.75	19.63	27.00	15.88	14,761	4.26	1.86	129.0	17.1	.16	.7	.....	3 mos.	02-87	332.1	21.0	3.5	45.8	.10	42.9	332.1	21.0	3.5	45.8	.10	42.9
Scotty's Inc ..... N	13.63	1.38	11.2	13.75	12.00	18.13	12.00	1,724	1.19	.71	67.6	18.4	.52	3.8	.....	9 mos.	03-87	134.6	4.8	3.0	- 26.8	.21	- 25.0	378.9	5.5	7.0	- 27.8	.48	- 28.4
Sears, Roebuck ..... N	51.00	- .88	- 1.7	53.00	50.00	56.00	39.00	70,628	1.89	1.27	48.8	13.2	2.00	3.9	.....	3 mos.	03-87	10480.0	11.6	287.9	47.4	.75	44.2	10480.0	11.6	287.9	47.4	.75	44.2
Svc Merchandise ..... M	6.25	.88	16.3	6.38	5.38	13.25	5.25	22,782	6.84	2.91	135.1	NE	.08	1.3	.....	3 mos.	03-87	451.0	14.8	(18.4)	NE	(.55)	NE	451.0	14.8	(18.4)	NE	(.55)	NE
Std Brd Pnt ..... N	23.63	1.63	7.4	24.25	21.75	27.00	19.38	2,539	2.26	2.52	- 10.3	17.8	.60	2.5	.....	fiscal	01-87	73.7	2.9	2.7	68.8	.24	71.4	326.6	- 3.4	15.0	- 5.1	1.33	- 5.0
Supermkts Gen ..... N	45.50	.25	.6	46.75	45.00	46.75	22.50	51,652	13.41	10.13	32.4	28.4	.28	.6	.....	fiscal	01-87	1434.5	5.8	19.1	- 11.6	.50	- 16.7	5507.9	7.5	60.9	- 4.4	1.60	- 10.1
Wickes Cos ..... A	3.63	.25	7.4	3.63	3.13	6.63	3.13	51,609	2.17	2.36	- 8.1	12.9	.00	.0	.....	fiscal	01-87	1408.3	NC	4.4	- 79.0	(.02)	- 100.0	4770.0	70.0	73.9	81.6	.28	154.5
Wolohan Lumber ..... M	14.25	- .38	- 2.6	14.38	13.75	14.63	7.50	1,484	2.53	2.26	11.9	13.0	.20	1.4	.....	3 mos.	03-87	41.0	45.9	1.0	NE	.18	NE	41.0	45.9	1.0	NE	.18	NE
Zayre Corp ..... N	26.50	1.75	7.1	27.13	23.50	43.88	20.75	58,307	9.88	3.20	208.8	16.3	.40	1.5	NEW	3 mos.	04-87	1295.8	24.1	21.0	25.7	.36	28.6	1295.8	24.1	21.0	25.7	.36	28.6
Wholesalers																													
Moore Handley ..... M	9.00	.50	5.9	9.25	8.25	19.00	6.75	258	1.03	1.15	- 10.4	20.0	.00	.0	.....	3 mos.	03-87	23.6	15.7	.3	.0	.14	- 30.0	23.6	15.7	.3	.0	.14	- 30.0
Lewis Palmer ..... M	9.13	.00	.0	9.13	8.88	9.88	7.25	1,845	4.61	2.79	65.2	22.8	.28	3.1	NEW	3 mos.	04-87	52.9	56.5	.3	200.0	.09	350.0	52.9	56.5	.3	200.0	.09	350.0
Stanline Inc ..... M	10.25	- .25	- 2.4	10.88	10.00	12.75	7.84	437	2.58	2.67	- 3.4	10.6	.32b	3.1	.....	3 mos.	01-87	14.0	4.5	.3	.0	.20	33.3	14.0	4.5	.3	.0	.20	33.3
Manufacturers																													
Allegheny Int ..... N	17.00	- 1.63	- 8.7	18.50	16.00	24.75	11.38	7,235	6.68	10.03	- 33.4	NE	.00	.0	.....	3 mos.	03-87	310.6	- 6.4	(38.5)	NE	(3.56)	NE	310.6	- 6.4	(38.5)	NE	(3.56)	NE
Am Consum Prods ..... M	10.75	.13	1.2	10.75	10.38	11.00	8.50	140	.73	.96	- 24.0	16.3	.00	.0	.....	3 mos.	03-87	9.2	16.5	.3	NC	.14	600.0	9.2	16.5	.3	NC	.14	600.0
Am Standard ..... N	42.38	.63	1.5	43.50	38.25	51.88	36.00	6,082	1.83	1.05	74.3	9.2	1.80	4.2	.....	3 mos.	03-87	779.7	15.3	21.6	- 57.0	.65	- 50.0	779.7	15.3	21.6	- 57.0	.65	- 50.0
Am Woodmark ..... M	14.38	- .75	- 5.0	15.00	14.00	17.13	10.00	213	.31	.31	.0	14.1	.00	.0	.....	9 mos.	01-87	26.2	7.4	1.2	9.1	.16	- 30.4	86.5	18.5	5.3	60.6	.79	17.9
Armstrng Wrld ..... N	36.25	- 1.88	- 4.9	38.00	33.50	44.00	24.88	17,464	3.68	1.34	174.6	13.3	.90	2.5	.....	3 mos.	03-87	541.1	25.6	31.9	39.3	.67	39.6	541.1	25.6	31.9	39.3	.67	39.6
Black & Decker ..... N	23.50	1.50	6.8	23.88	22.00	23.88	14.50	39,006	6.71	3.06	119.3	39.2	.40	1.7	.....	6 mos.	03-87	438.7	5.7	9.2	475.0	.16	700.0	957.7	3.3	31.6	40.4	.54	25.6
Boise Cascade ..... N	68.88	- .50	- .7	71.50	65.25	86.88	51.50	13,645	4.68	2.63	77.9	18.1	1.90	2.8	.....	3 mos.	03-87	912.2	.4	40.2	60.8	1.31	57.8	912.2	.4	40.2	60.8	1.31	57.8
Certain-teed ..... N	39.50	.50	1.3	39.50	35.50	41.88	24.63	1,433	.75	.84	- 10.7	12.2	1.00	2.5	.....	3 mos.	03-87	266.8	4.6	14.5	38.1	.77	37.5	266.8	4.6	14.5	38.1	.77	37.5
Champ Intl ..... N	34.63	- 1.25	- 3.5	36.75	33.50	43.50	22.50	55,355	5.88	2.78	111.5	14.0	.64	1.8	.....	3 mos.	03-87	1097.2	- 2.2	55.5	152.3	.59	195.0	1097.2	- 2.2	55.5	152.3	.59	195.0
DeSoto Inc ..... N	38.88	.25	.6	38.88	38.25	43.75	34.25	935	2.37	.80	196.3	45.7	1.40	3.6	.....	3 mos.	03-87	90.3	- 6.7	2.2	- 8.3	.54	5.9	90.3	- 6.7	2.2	- 8.3	.54	5.9
Enhart Corp ..... N	42.50	1.00	2.4	42.63	40.50	43.25	30.75	4,514	1.46	.91	60.4	NE	1.40	3.3	.....	3 mos.	03-87	602.6	18.2	28.0	55.6	.90	38.5	602.6	18.2	28.0	55.6	.90	38.5
Georgia-Pacific ..... N	42.25	.50	1.2	44.50	40.25	52.75	29.00	46,435	4.33	2.62	65.3	13.4	1.00	2.4	.....	3 mos.	03-87	1855.0	15.6	80.0	166.7	.71	184.0	1855.0	15.6	80.0	166.7	.71	184.0
Insilco Corp ..... N	21.88	.50	2.3	22.38	20.88	26.25	17.38	2,733	1.32	1.43	- 7.7	13.4	1.00b	4.6	.....	3 mos.	03-87	175.7	- 2.6	7.8	14.7	.37	15.6	175.7	- 2.6	7.8	14.7	.37	15.6
La Pacific ..... N	30.38	.25	.8	30.88	27.75	39.63	22.09	17,348	4.57	1.97	132.0	14.1	.80b	2.6	.....	3 mos.	03-87	422.9	31.1	16.3	1064.3	.43	975.0	422.9	31.1	16.3	1064.3	.43	975.0
Macmillan Bloedel ..... M	18.38	- .13	- .7	18.63	17.00	22.38	8.00	7,872	.77	1.40	- 45.0	NA	.42	NA	.....	3 mos.	03-87	719.4	17.3	60.4	106.8	.54	134.8	719.4	17.3	60.4	106.8	.54	134.8
Manville Cp ..... N	3.75	.50	15.4	3.75	2.88	3.75	1.63	12,673	5.28	2.64	100.0	1.0	.00	.0	.....	3 mos.	03-87	475.0	4.3	42.9	257.5	1.52	533.3	475.0	4.3	42.9	257.5	1.52	533.3
Masco Corp ..... N	35.38	.63	1.8	35.63	30.50	40.88	23.50	26,382	2.04	.93	119.4	21.7	.36	1.0	.....	3 mos.	03-87	450.0	46.1	55.5	23.1	.42	20.0	450.0	46.1	55.5	23.1	.42	20.0
Mor-Flo Inds ..... M	12.00	- .75	- 5.9	12.50	12.00	16.50	12.00	138	.55	.43	27.9	41.4	.01	.1	.....	3 mos.	03-87	55.5	5.9	.6	- 14.3	.25	- 10.7	55.5	5.9	.6	- 14.3	.25	- 10.7
Newell Co ..... N	34.13	.13	.4	34.63	31.50	39.75	24.00	1,498	1.31	.73	79.5	15.2	.84	2.5	.....	3 mos.	03-87	101.3	7.2	6.1	48.8	.51	15.9	101.3	7.2	6.1	48.8	.51	15.9
Owens Corn ..... N	25.38	- 1.63	- 6.0	26.63	22.38	32.38	8.88	40,681	10.86	4.19	159.2	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	16.13	.25	1.6	16.50	15.13	18.13	10.00	927	1.16	1.11	4.5	17.0	.12	.7	.....	3 mos.	03-87	70.6	39.5	3.3	65.0	.29	11.5	70.6	39.5	3.3	65.0	.29	11.5
Pope & Talbot ..... N	38.75	- .75	- 1.9	40.13	38.25	43.50	17.75	935	1.56	2.50	- 37.6	10.1	.88	2.3	.....	3 mos.	03-87	100.3	35.4	6.7	NE	1.10	NE	100.3	35.4	6.7	NE	1.10	NE
Potlatch Cp ..... N	31.13	.38	1.2	32.00	26.75	41.88	23.25	12,547	4.73	1.25	278.4	11.8	.84	2.7	.....	3 mos.	03-87	248.6	6.6	17.8	30.9	.63	31.3	248.6	6.6	17.8	30.9	.63	31.3
Sherwin-Wms ..... N	34.75	1.00	3.0	34.75	31.38	38.50	22.75	5,561	1.23	1.11	10.8	14.9	.56	1.6	.....	3 mos.	03-87	380.5	14.5	8.2	18.8	.18	20.0	380.5	14.5	8.2	18.8	.18	20.0
Stanley Works ..... N	31.63	.75	2.4	32.50	29.63	35.38	23.19	5,742	1.35	.82	64.6	16.2	.76	2.4	.....	3 mos.	03-87	416.8	28.6	19.2	30.6	.44	25.7	416.8	28.6	19.2	30.6	.44	25.7
Thos Inds ..... N	19.50	- .50	- 2.5	19.88	18.25	22.63	15.50	637	.64	.47	36.2	14.6	.68b	3.5	.....	3 mos.	03-87	78.7	11.2	3.8	18.8	.38	15.2	78.7	11.2	3.8	18.8	.38	15.2
USG Corp ..... N	36.38	- .63	- 1.7	36.88	31.00	46.50	31.00	13,423	2.56	1.13	126.5	8.3	1.12	3.1	.....	3 mos.	03-87	693.2	11.4	85.0	64.4	1.65	103.7	693.2	11.4	85.0	64.4	1.65	103.7
Walter, Jim ..... N	50.38	1.63	3.3	51.00	44.75	62.25	40.38	10,772	3.39	1.51	124.5	9.6	1.40	2.8	.....	6 mos.	02-87	513.5	- .7	28.0	53.0	.86	230.8	1109.4	2.8	65.9	31.8	2.03	43.0
Waxman Ind ..... M	10.25	- .50	- 4.7	10.50	9.75	13.25	6.34	513	.78	.78	.0	21.8	.08	.8	.....	9 mos.	03-87	NC	NC	(.6)	- 100.0	(.10)	- 100.0	30.9	- 55.9	1.0	- 44.4	.15	- 74.1
Weyerhaeuser ..... N	49.00	- .63	- 1.3	50.75	44.75	60.00	30.50	53,193	3.93	2.01	95.5	20.9	1.30	2.7	.....	3 mos.	03-87	1617.3	23.8	101.9	103.8	.75	141.9	1617.3	23.8	101.9	103.8	.75	141.9

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Canadian lumber finding its way to U.S. without tax

(Continued from page 1)
tion-grade material in an attempt to skirt the tax.

An American wholesaler spoke of losing business to a competitor who "deliberately" mislabeled lumber.

Steve Lunney, a Canadian customs officer, said that companies found to have engaged in the deceptive practices could face retroactive criminal fraud indictments, have export privileges revoked, and be subject to fines up to $25,000.

Ironically, Lunney's agency, at the moment, can't do audits because his office—the task force on softwood lumber, part of the Department of National Revenue's customs and excise office—has no enforcement power since the Canadian government has yet to approve the export tax, as embodied as one of the terms of the agreement with the U.S.

Law passes one hurdle

Although Canada's House of Commons recently approved a law to tax U.S.-bound lumber, the legislation has to move through three more parliamentary stages before the tax is official.

Up until now, Canada's lumber exporters and remanufacturers have been following a quasilegal agreement worked out December 30 between Canada and America to tax lumber exports at 15 percent FOB of the mill value. Companies shipping to the U.S. have collected the tax voluntarily and forwarded the proceeds to Canada's provincial tax authorities.

Charges that some companies may be deceiving customs officials and cheating Canada out of a portion of its projected $500 million lumber export revenues are merely the latest attacks against the controversial agreement.

Lumber as 'water bed stock'

One of those making the accusation is Roger Anderson, general manager and vp of Anderson Lumber Co., a national distributor based in Kirkland, Wash. Anderson said his company lost a bid to a competitor in March because the other wholesaler deliberately misclassified construction-grade lumber on export documents as "waterbed stock."

Anderson was stunned when the competitor was able to underbid his company substantially—even though both concerns were ordering from the same mill—and initiated his own investigation. He discovered along the way that other wholesalers were using the excluded fencing stock category as another deceptive way to bring in Canadian construction-grade lumber without paying a tax.

"I just couldn't figure it out at first," Anderson said. "The customer was a good friend of mine and I asked him to check his paperwork because I knew what mill the material was coming from.

"He looked at his bill of lading and 2-foot-by-10-foot KD hemlock was listed as water bed stock. I called the mill and they told me they heard about it, but that they were not party to it."

(One Canadian customs official noted that while there is no "water bed stock" among the 23 items excluded from the agreement, it is conceivable that an unscrupulous importer could hide construction products in another category.)

Mills' role questioned

That the mills may not be aware that some wholesalers are doctoring the books to avoid the tax has some credence, according to Sheila McGinn, manager of the task force on softwood lumber, whose office in the Department of National Revenue in Ottawa will eventually be empowered to police the law and conduct audits.

The marketing executive of the aforementioned Canadian forest products company which intends to punish the mill shipping worker, objected to contentions that Canadian companies are avoiding the tax through deceptive export practices.

The executive, who requested that he and his company remain anonymous, said the incident at his company was a "single, isolated occurrence." He said he fears, however, that some quarters within the industry would blow the incident out of proportion as evidence of rampant export violations.

"I travel around in this industry as much as anyone," he said. "I'm on the phone practically by the minute and I can tell you emphatically that the Canadian lumber industry is living up to the letter of this agreement."

But Anderson countered that abiding by the agreement can backfire. "Every time it happens a wholesaler gains an immediate 15 percent advantage over guys like ourselves who are playing by the rules," he said.

H.M. (Peter) Niebling, executive vp of the North American Wholesale Lumber Association, had heard rumors about illicit practices, but considered them to be a "drop in the bucket."

"With all the people who are involved in this, I can't believe that there aren't some who have not tried to circumvent the law," Niebling said. "But I also have to believe that Revenue Canada and the U.S. Customs people are sharp enough to catch it."

Home Depot facing $20 million lawsuit in death of 7-year-old Florida boy

(Continued from page 1)
more than 1,100 pounds of plywood broke and fell on him while he was shopping in the Home Depot store in Perrine, Fla., in suburban Miami.

Jonathan Holtz, president of Win-Holt based in Garden City, N.Y., said that Home Depot uses carts from a variety of vendors and he claims to have been told that "they are not sure whose carts" caused the injuries.

(The cart had been identified as one made by Win-Holt by police on the scene.)

In addition to the Lees' suit against Home Depot, Elton's grandfather, Thomas Lee, who was with the child at the time of the accident, filed suit against the retailer for the same reasons as his parents, said attorney Stephen Malove with the law firm of Spence, Payne, Masington, Grossman and Needle, Miami, legal counsel for the Lee family.

The Lee case is not the only pending lawsuit related to an accident involving the Win-Holt lumber cart in a Home Depot store.

1986 suit goes to trial

This summer, the case of *Armstrong v. Win-Holt, Cox Sales and Service and The Home Depot* goes to trial in Miami.

That case seeks compensation for Ralph Armstrong, 44, an electrician from Miami who was injured when a Win-Holt lumber cart flipped over on him at the Home Depot store located at Skylake Mall on Miami Gardens Drive in September 1985, according to his attorney, Rick Gunion.

Cox Sales and Service was the company retained by Home Depot to maintain the lumber carts, Gunion said. Smith said he could not say with certainty if Cox was retained to service the carts at the Perrine store.

At the time of Armstrong's accident, Gunion said the electrician was unloading three sheets of gypsum from the Win-Holt lumber cart—which "may be" the same model involved in the Lee accident—in the loading dock area of the Home Depot store.

Gunion said Armstrong was unloading his purchase from a "wobbly" cart on an incline in the pavement. The cart flipped over onto Armstrong when he tried to stop it from rolling down the incline and into someone else, his attorney said.

As a result of the accident, Gunion said Armstrong has incurred medical bills for back and neck injuries totaling $70,000.

Win-Holt's attorney, Dill Rosenfeld, said he had no information on the accidents, or the Armstrong suit.

Carts termed 'dangerous'

Win-Holt has not been named in the Lee case, said Maslove, adding that no decision has been made on whether to include it.

In a May 28 interview with the *Miami News* on the Lee case, J.B. Spence of Spence, Payne, said that Elton's accident stemmed from the cart. "We're saying they're very dangerous," he said.

"The cart was loaded incorrectly," said Detective Thomas Romagni of the Metro Dade Police Department, Homicide Bureau, who was investigating the case. He said the middle retaining bar of the lumber cart was missing. Romagni noted: "The cart didn't fall over. It was broken."

Pay 'N Pak group considers bids

(Continued from page 2)
format and direction.

"The Pay 'N Pak board will have to work out which is the most attractive offer."

Underscoring his eagerness to conclude a deal, Bilzerian said his company, Bicoastal Financial Corp., "has already submitted a complete merger agreement" that he is ready to sign immediately. Pay 'N Pak noted that Bilzerian's acquisition proposal would be subject to a physical inventory of the company's merchandise scheduled on June 30.

Pay 'N Pak said that the second offer is contingent upon "arrangement of certain financing," and that the party involved "was confident in its ability to get the financing on a timely basis."

The second offer is "conditioned upon a satisfactory agreement with Pay 'N Pak management regarding its equity participation in the new company," Pay 'N Pak added.

On June 1, when Pay 'N Pak announced it had found the potential second buyer, it refused to identify the party. Bilzerian said he did not know the identity of the party, but his company had "certainly tried to find out."

"It sounds like someone Solomon Brothers [Pay 'N Pak's investment banker] has dealt with before." Bilzerian said.

In a related development, Bilzerian, 36, is being investigated by the government for possible securities-law violations over Bilzerian's dealings in a number of stocks which became targets of tender offers by him, including Cluett, Peabody & Co. and Hammermill Paper Co.

Group Val gets Bricoleur stores

(Continued from page 3)
tion was itself a joint venture between Groupe Val and Provigo, one of the largest supermarket and drug chains in Canada.

Provigo has since sold off its 50 percent holding in the Brico operation.

Realign fiscal years

"Their [Bricoleur] stores are about 50,000 square feet, so they lend themselves to that concept," Michaud said.

The merger will give Groupe Val a total of 17 stores, and 960 employees. Michaud said the stores are expected to do $110 million in sales this fiscal year, with net earnings of $3 million.

The two companies will realign their fiscal years because Groupe Val's ends in October, but Bricoleur's ends in March.

Groupe Val's stores had sales of $73 million for fiscal 1986. The Bricoleur stores had sales of $40 million.

National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 26 times a year, beginning with the second Monday in January; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscriptions are available at no charge to qualified retailers and wholesalers of lumber and building supplies and hardware. Paid subscriptions are available to nonqualifying retailers, manufacturers, other wholesalers, schools, libraries and all others at the rate of $45 per year (26 issues); $45 to Canada. Foreign subscription: Airmail only, $125 per year. Group rates are also available: (prices are per year), 1 to 4 copies, $45; 5 to 39, $41; 40 or more, $37. Single copy rate is $2 except first May issue (Annual Census) and first July issue (Consumer Attitude Study), $15 each.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 13, No. 12, Copyright© 1987 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. For change of address six weeks is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 13, No. 12 June 15, 1987

Your Return On Sunset Books Comes Two Ways...

1. A GMROI of 4.18 from a single display *
2. A return of customers to your store to buy more tools and materials

Sunset books sell projects. Over 80 home improvement titles provide project ideas, step-by-step know-how, and the confidence your customers need. And, a GMROI better than Lumber, better than Paint, better than Hardware.

Get the complete story directly from us at the NATIONAL HOME CENTER SHOW. Booth 5807.

Sunset Books

80 Willow Road, Menlo Park, CA 94025-3691
800/227-7346 or in California 800/321-0372

* GMROI calculations based on proper installation of a 35-pocket cascade display.

Circle 83 on Reader Service Card

7/6/87 C5150-6

00000530 HC
CONGRESSIONAL INFO INC
4520 EAST-WEST HWY/STE 8 13C
WASHINGTON DC 20014 **

National
Home Center News®

Vol. 13, No. 13 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. June 29, 1987

Computer error forces Gen. Host to slow growth

By Phillip M. Perry
NHCN staff editor

STAMFORD, Conn. — A computer error that caused it to under-record its product purchases has led General Host to severely cut back on the expansion of its retail nursery division, a move that one company official conceded could give some breathing room to home centers competing with expanding lawn and garden departments.

General Host: Vital Stats
(in millions $)

Total Assets	$691.5
Total Liabilities	488.7
Shareholders' Equity	202.8
1986 Revenues	683.4
1986 Net Income	4.7

Source: General Host; *NHCN* chart

One year ago, General Host embarked on a campaign to roll out 60 new Frank's Nursery and Flower Time stores in markets from Minnesota to Florida. The 1986 expansion pace

(Continued on page 55)

Bilzerian loses bid to buy Pay 'N Pak after mgmt. offer

By Brad Altman
NHCN staff editor

KENT, Wash. — Florida investor Paul Bilzerian has apparently lost in his bid to win control of Pay 'N Pak Stores based here.

The aggressive financier's fourth offer for the 106-unit retailer was rejected by company directors on June 11, and the following day a group of senior managers led by chairman David Heerensperger began a $212.5 million tender offer.

[Seattle newspapers reported on June 16 that two lawsuits—filed by shareholders Barnett Stepak and William Steiner in King County (Wash.) Superior Court and a shareholders group in Philadelphia—are attempting to stop this transaction.]

[On the same day, Pay 'N Pak held its annual meeting in Seattle, at which the takeover bid took up most of the 40-minute session. One of the major concerns of shareholders was the amount of debt the investors group would incur in order to purchase the chain.]

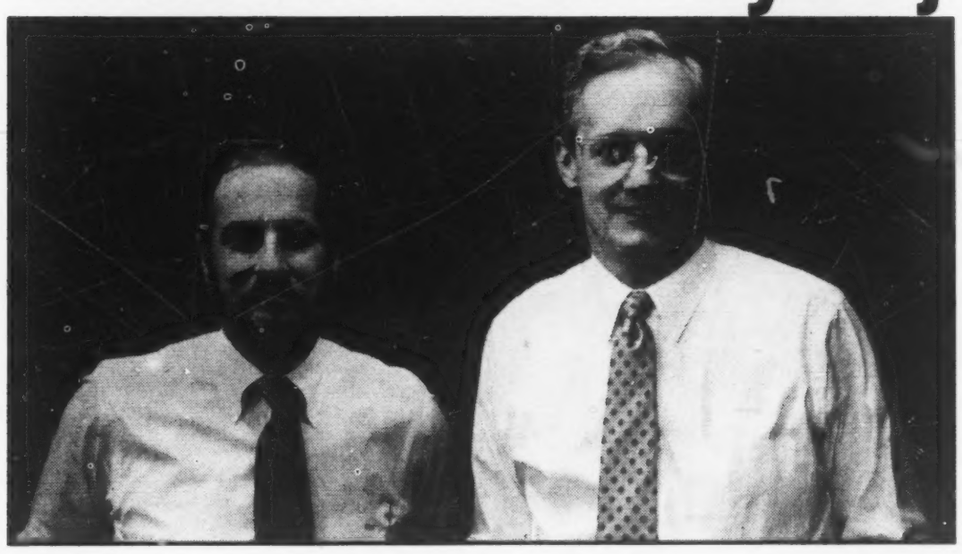
Bilzerian, although claim-

(Continued on page 55)

David Heerensperger could get the last laugh as his offer to buy Pay 'N Pak Stores has been accepted by the firm.
NHCN photo

Coast to Coast eyes joint venture with BMA

Company readies public offering



Richard Bard, chairman (left), and Ralph Dillon, president of Coast to Coast, the Denver franchised wholesaler which is set to go public.
NHCN photo

By an NHCN staff editor

DENVER — Coast to Coast Stores, which earlier this year called off plans to merge with Greenville, S.C.-based Builder Marts of America, is now discussing the development of a joint venture with BMA.

Under terms of the program, Coast to Coast will provide hardlines for Builder Marts' dealers and BMA will provide "building materials for our stores," chairman Richard H. Bard said.

"The program is being developed now and will be in full swing in the fall," Bard added. BMA currently provides lumber and building materials distribution to 750 independent lumber dealers in 1,700 locations.

As CoastAmerica Corp.—formerly known as Coast Holding Co.—prepares to go public, Bard said he isn't closing the doors to a possible "merger or acquisition, if the parameters are right."

(Continued on page 56)

Hawaiian firm gains DIY edge with buyouts

By Elizabeth Brent
NHCN staff editor

HONOLULU — Seven months ago Monarch Building Supply was a single-unit independent crammed into 65,000 square feet and selling roofing to contractors.

Today Monarch has six units and is one of the largest lumber and building materials retailers in Hawaii. It dominates the neighbor islands outside of Honolulu where 80 percent of the population live.

Its acquisition of five stores has given Monarch a foothold in the DIY market on the islands of Maui and Hawaii. Monarch now has the ability to facilitate future acquisitions.

Monarch's expansion was financed by its Australian parent Watkins-Pacific, based in Brisbane. The cost of the acquisitions wasn't revealed.

Honolulu, a one-site location, will most likely be an expansion target, even though land there is sold at a premium. Here, Mon-

(Continued on page 55)

Doubt cast on mfg. liability in Depot suit

By an NHCN staff editor

MINEOLA, N.Y. — Doubt has been cast on whether the cart involved in the death of a young boy in a Home Depot last month, which precipitated a $20 million lawsuit against the Atlanta chain, was supplied by Win-Holt.

On June 15, Lawrence Smith, Home Depot's gen-

(Continued on page 55)

Retailers report growing nail shortage

By Gary S. Ruderman
NHCN staff editor

NATIONAL REPORT — Nails, the nation's basic building commodity, appear to be in short supply, retailers report.

In the Northwest, one large retailer's July allocation of imported nails was on the shelves by the first week of June. Three thousand miles east, Somerville Lumber's stores started calling the buying office last month wondering where the nail shipments were, only to learn that Asian shipments were being held up.

(Continued on page 56)

Fluctuations in foreign currencies have Oriental nail suppliers cutting back on production which has caused shortages.
NHCN photo

INSIDE

U.S. firms go Mexican for product assembly 27
East moves West in effort to stall yen 28

Plastic tool boxes make a comeback 34
Import tool prices rise, dealers look to U.S. 36

NEWSBREAKS

MOORE-HANDLEY TO BUY DISTRIBUTOR: The Birmingham, Ala., wholesaler plans to acquire the wholesale division of Pleasants Hardware Co., based in Winston-Salem, N.C., with sales last year of about $15 million.

SCOTTY'S STRETCHES NORTH: The Winter Haven, Fla., retailer says it will open a 32,000-square-foot store in Macon, Ga., June 17, marking the northernmost penetration. It has scheduled a July 6 opening of the first of three stores in Mobile, Ala., a 49,000-square-foot unit.

INDUSTRY UPDATE

Sears opens 1st Fla. paint unit

NATIONAL REPORT — Sears opened a Paint and Hardware store in Coral Gables, Fla., earlier this month as the first in a series of eight such stores to be rolled out in southern Florida between now and October.

The Coral Gables unit brought the total of such stores to 41. The company said it expected to have a total of about 100 such stores by the end of this year.

New markets for the stores include Denver. One such store is slated to open in the city and in the suburb of Aurora, Colo., in July. The company also expects to open a store in Houston by the end of this month.

Fla. ad tax under question

TALLAHASSEE, Fla.— Following a barrage of complaints and the filing of lawsuits over the controversial five percent service tax here, Governor Robert Martinez has asked the state Supreme Court for an advisory opinion on the law's constitutional validity.

While the suits challenge the tax ruling on both state and federal levels, the opinion would be directed only at state matters.

When issued, the advisory opinion would be used as guidance to the lower courts in Florida.

Oral arguments were scheduled to be held before the Supreme Court on June 22.

The law adds a five percent tax on national and local advertising in the state and also includes public relations, accounting, legal and other professional services (*NHCN*, May 18).

In addition to affecting Florida home centers, the tax will affect manufacturers who place national advertising in the state.

Law will allow integrity tests

WASHINGTON — Pre-employment integrity tests will be allowed if a federal bill that proposes to outlaw the use of electronic lie detection passes in Congress.

As a result of a new amendment to controversial House bill H.R. 1212, employers will retain the right to conduct written integrity tests (*see story on page 46*) and personal interviews in pre-employment processing.

In an earlier version of the bill, written tests and interviews would have been outlawed had the measure become law.

The bill remains in the House Education and Labor Committee, but it could not be determined by press time when it would reach the House floor.

Most retailers are opposed to H.R. 1212 as they would prefer to continue the use of polygraph testing in pre-employment screening.

Pay 'N Pak trial set for Sept.

SEATTLE — The long-running antitrust lawsuit by Thurman Industries against Pay 'N Pak stores is now less than three months from trial, which has been set for September 21 in federal court here.

The suit was brought in 1984 by Thurman. Thurman is a privately held company with 10 stores in Washington and Montana, against Pay 'N Pak, which has 106 stores in 17 states.

Thurman claims Pay 'N Pak has used its market clout to unfairly hurt its business and asks $3 million in damages.

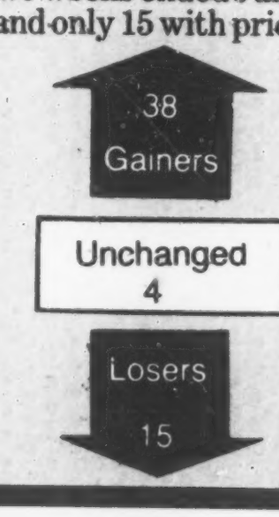
Home center stocks soar

Home center stocks soared in the two weeks ended June 12, with 38 companies showing gains and only 15 with price drops. Four stocks were flat.

Wickes Cos. led the charge among dealers with a 24.1 percent increase to $4.50 per share, followed by Grossman's Inc. with an 18.8 percent gain to $9.50.

Supermarkets General, the parent of Rickel Home Centers which is in the process of being taken over by a management buyout group, saw its stock price plummet 14.8 percent to $38.75.

See financial tables, page 54.



For editorial, advertising or subscription information call NHCN's *main offices at:*

212-371-9400

EDITORIAL: EXT. 229
SALES: EXT. 236
SUBSCRIPTION: EXT. 378
Available for calls 9-5:30 (E.S.T.)

Home center operators record winning first-quarter figures

By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — While principal beneficiaries of the home center business rebound still can't believe their good fortune, midway through 1987 it seems the industry has a winning year on its hands.

The strong consumer activity first reported late last year by retailers carried through in the first quarter of 1987, and reports from the field indicate that players not overly affected by a still-moribund oil patch are still experiencing good growth.

Sales at stores open one

(Continued on page 56)

Same Store Sales Changes (%)

	First Quarter 1987	Annual 1986
Hechinger	9.0	8.0
The Home Depot	22.0	7.0
Lowe's	1.0	6.0
National Hardgoods Distributors	3,0	10.0
Payless Cashways	6.0	4.4
Scotty's	5.4	5.3
Wolohan Lumber	37.0	22.0

Source: Company reports. *NHCN* chart.

Of seven home center companies reporting sales increases at stores open one year or longer, five said such increases are even healthier now than in 1986.

Pergament denied insurance suit appeal

By Suzanne Floyd
and Milford Prewitt
NHCN staff editors

BROOKLYN, N.Y.— The Appellate Division of the Supreme Court of New York has denied the request of Pergament Home Centers to appeal a decision that found the company's former "umbrella" insurance carrier not liable for primary insurance coverage.

The court's June 5th decision meant that the Melville, N.Y.-based chain will probably appeal to the State Court of Appeals and continue its three-year-old lawsuit against Old Republic Insurance Co., of Greensburg, Pa.

Primary insurer goes under

At the heart of the dispute is Pergament's contention that Old Republic was contractually responsible for defending and indemnifying it when the retailer's primary liability insurer, the Ambassador Insurance Company, was forced into insolvency in 1984 by its licensing state, Vermont.

In the initial action in February 1986, Pergament contended that ambiguous wording in its contract with Old Republic meant that the umbrella insurer should "drop down" and provide primary protection when Ambassador folded.

Pergament argued that Old Republic should handle all claims filed against the company during fiscal year 1981 and 1982, the contract's life span.

Court papers show that Ambassador provided primary coverage with a policy limit of $1 million. Old Republic took care of claims between $1 million and $10 million.

But after Ambassador went under, two personal injury suits filed against Pergament were settled within Ambassador's policy limit. Pergament referred the cases to Old Republic which, in turn, told the retailer the company was not obligated to pay.

These suits are among 60 to 70 claims pending against Pergament for personal injury.

Company officials and attorneys wouldn't discuss the status of these two suits.

Pergament filed suit in the New York Supreme Court in Long Island and won, but Old Republic appealed in the Appellate Division and the earlier court ruling was overturned.

Michael A. Ellenberg, a Manhattan attorney representing Old Republic, thought Pergament will, in all likelihood, appeal the latest court ruling to the Court of Appeals, New York's highest court.

Ellenberg said Pergament is just one of many companies nationwide whose insurance coverage was adversely affected when Ambassador went out of business.

Attorneys for Pergament and Pergament corporate officers either declined comment or couldn't be reached.

Molson buys 25% interest in Lockhart

By an NHCN staff editor

TORONTO — In its latest move to expand in the home center industry, the Molson Companies Ltd. said it will acquire a 25 percent interest in Lockhart Ltd. and affiliate the firm with Beaver Lumber, its wholly owned subsidiary.

Under the agreement, Molson will increase its Lockhart ownership to 50 percent over five years. The cost to Molson was not disclosed.

Lockhart operates 14 building material and hardware retail stores in New Brunswick and Nova Scotia, with sales of about $45 million.

Its affiliation with Beaver is another in a series of aggressive expansion steps orchestrated by John Lacey, Beaver's newly appointed chairman and ceo.

Formerly president of Beaver, Canada's biggest building products retailer, Lacey has promoted joint ventures and specialty retailing as the key to expansion.

In line with that plan, Beaver earlier this month sold its Le Castor Bricoleur Quebec operations to Groupe Val Royal and entered into a 50-50 partnership with the holding company owned by the family of Groupe Val President Pierre Michaud. The move allowed Beaver to expand its franchise operations.

Last year, Beaver bought Crown Stores Ltd., giving it a stronger presence in western Canada.

In the specialty area, Beaver recently formed Nühaus, for the custom installation of European kitchens (supplied by Alno Kitchens in West Germany). Last January, Beaver bought the 53-store Lighting Unlimited chain. And Beaver owns Aikenheads, one of Canada's oldest hardware stores.

"It's not the end of the market we've been attracting with Beaver," said Lacey "These specialty businesses complement Beaver."

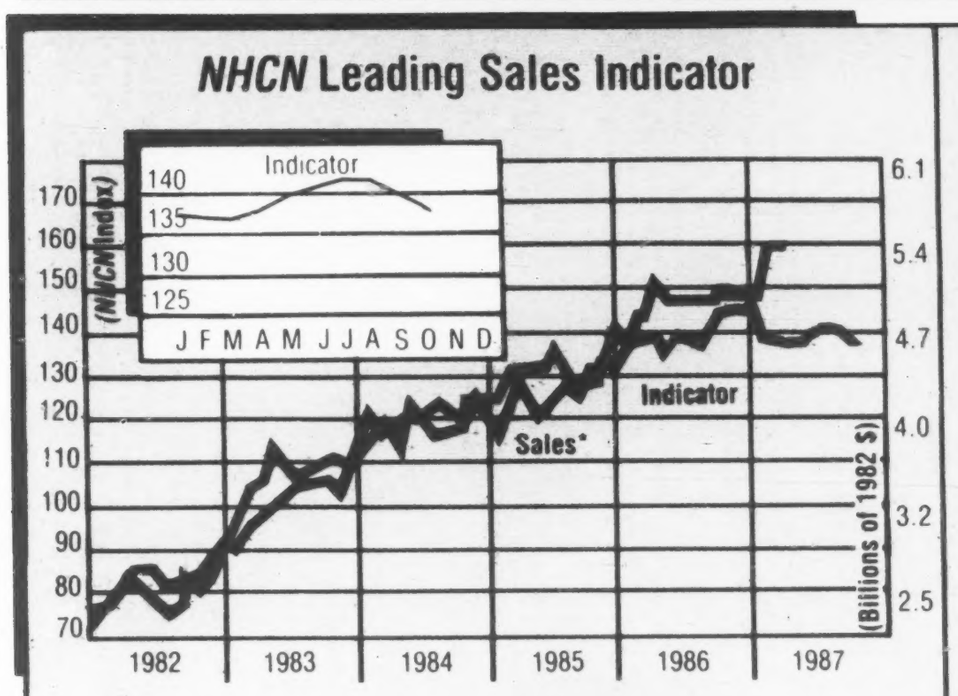
Lacey says it's too early to predict sales or earnings for the specialty group, and he won't estimate Beaver's earnings for the fiscal year ended in March. But he says Beaver's 1986 sales will be about $684.9 million, up from $577 million the previous year.

"Beaver's financial performance has not been what we would have liked," Lacey says. "Now we've got it where we want it."

INDEX

Advertisers Index 50
Advertising & Marketing 42-44
Behind the Numbers 53
Business Watch 18
Classified 49,50
Editorial 16
Home Center Market Summary 54
Housing Watch 20
Inside the Aisles 40
Lumber Report 22
Merchandising 34-40
New Products 50
Perspectives 27
Systems & Operations 46,47
Washington View 16

BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a flattening in building materials sales during the second half of 1987. Resales remained strong in the first quarter, but the rise in mortgage rates suggests lower starts and resales ahead.

Sales for Middle Atlantic states expected to rise 14 percent

By Richard E. Mount
Special to NHCN

NEW YORK — Building material sales in the Middle Atlantic states are expected to rise 14 percent this year, faster than the anticipated 9 percent national gain.

Housing starts and resales continue to rise at a rapid pace and employment gains in New York and new Jersey exceed the U.S. total. Adjusted for price increases, unit sales in the Middle Atlantic region will increase 9 percent in 1987.

N.Y. with mixed economy

Employment in the state is running about 3.5 percent higher than a year ago, driving the unemployment rate down to 4.8 percent. For comparison, the national average remains fixed at 6.3 percent. Resales rose 14 percent last year.

Richard E. Mount

The New York economy presents a mixed picture. Areas with a concentration in financial services, high tech and defense boomed through most of the current economic expansion.

This strength reduced unemployment rates, and labor shortages became an increasing problem. These areas can no longer sustain the rapid gains of the recent past because of labor. Employment in New York City is up only 1.5 percent from a year ago, Nassau-Suffolk 2.2 percent, and Westchester 2.3 percent.

(Continued on page 19)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Home Center Industry Regional Outlook

		1986 QI	1986 QII	1986 QIII	1986 QIV	1987 QI	1987 QII	1987 QIII	1987 QIV	1985	1986	1987
***NHCN* Leading Sales Indicator** (February 1980 = 100)		124.7	127.9	132.1	137.1	138.6	140.2	141.8	140.6	118.5	130.4	140.3
Building Material Retail Sales												
Current	$ Millions SAAR Total United States	63,708	64,396	62,956	64,584	68,720	71,018	72,836	74,068	55,695	65,529	71,661
	New England	3,233	3,270	3,435	3,488	3,677	3,750	3,838	3,881	NA	3,357	3,786
	Middle Atlantic	7,893	7,896	7,956	8,274	8,755	9,076	9,301	9,421	NA	8,005	9,138
	East North Central	9,376	11,647	11,365	11,627	12,232	12,620	12,958	13,192	NA	11,004	12,750
	West North Central	3,845	4,423	4,600	4,610	4,838	4,936	5,048	5,118	NA	4,370	4,985
	South Atlantic	14,146	13,410	12,099	12,405	13,634	14,239	14,655	14,917	NA	13,015	14,361
	East South Central	3,699	3,800	3,665	3,549	3,848	4,055	4,217	4,311	NA	3,678	4,108
	West South Central	7,911	7,653	7,057	7,052	7,539	7,734	7,874	8,007	NA	7,418	7,788
	Mountain	3,569	3,308	3,352	3,508	3,718	3,814	3,897	3,977	NA	3,434	3,851
	Pacific	10,036	8,988	9,427	10,071	10,480	10,795	11,049	11,244	NA	9,631	10,892
Constant	Millions $1982 SAAR Total United States	59,791	62,149	59,924	60,188	63,469	64,750	65,750	66,200	52,705	60,513	65,042
	New England	3,034	3,156	3,270	3,251	3,396	3,419	3,465	3,469	NA	3,178	3,437
	Middle Atlantic	7,408	7,620	7,573	7,711	8,086	8,275	8, 396	8,421	NA	7,578	8,294
	East North Central	8,800	11,241	10,818	10,836	11,297	11,506	11,697	11,790	NA	10,423	11,573
	West North Central	3,609	4,269	4,378	4,296	4,468	4,500	4,556	4,574	NA	4,138	4,525
	South Atlantic	13,276	12,942	11,516	11,561	12,592	12,982	13,229	13,333	NA	12,324	13,034
	East South Central	3,472	3,667	3,488	3,307	3,554	3,697	3,807	3,853	NA	3,484	3,728
	West South Central	7,425	7,386	6,717	6,572	6,963	7,051	7,108	7,156	NA	7,025	7,069
	Mountain	3,350	3,193	3,191	3,269	3,434	3,477	3,518	3,555	NA	3,250	3,496
	Pacific	9,419	8,674	8,973	9,386	9,679	9,842	9,974	10,049	NA	9,113	9,886
Per Cent of U.S. Total												
Current	Per Cent of U.S. Total ($Current) Total United States	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	5.07	5.08	5.46	5.40	5.35	5.28	5.27	5.24	NA	5.25	5.28
	Middle Atlantic	12.39	12.26	12.64	12.81	12.74	12.78	12.77	12.72	NA	12.52	12.75
	East North Central	14.72	18.09	18.05	18.00	17.80	17.77	17.79	17.81	NA	17.22	17.79
	West North Central	6.04	6.87	7.31	7.14	7.04	6.95	6.93	6.91	NA	6.84	6.96
	South Atlantic	22.20	20.82	19.22	19.21	19.84	20.05	20.12	20.14	NA	20.37	20.04
	East South Central	5.81	5.90	5.82	5.50	5.60	5.71	5.79	5.82	NA	5.76	5.73
	West South Central	12.42	11.88	11.21	10.92	10.97	10.89	10.81	10.81	NA	11.61	10.87
	Mountain	5.60	5.14	5.32	5.43	5.41	5.37	5.35	5.37	NA	5.37	5.37
	Pacific	15.75	13.96	14.97	15.59	15.25	15.20	15.17	15.18	NA	15.06	15.20
Industrial Production												
Index (1977 = 100)	Brick	92.7	91.1	93.9	95.8	92.4	91.1	90.9	90.6	88.5	93.4	91.3
	Cement	121.2	108.7	105.6	108.2	107.9	106.5	105.2	104.7	105.7	110.9	106.1
	Gypsum Wallboard	132.8	133.7	132.3	134.5	134.6	134.2	133.1	132.1	126.4	133.3	133.5
	Hardware	99.8	102.1	103.5	101.7	104.5	103.9	103.2	102.9	100.9	101.8	103.6
	Lumber Products	126.0	132.8	134.1	134.2	127.5	126.7	126.1	125.2	122.9	132.3	126.4
	Paint	100.6	103.0	100.1	93.8	107.2	107.9	108.4	107.9	101.9	99.4	107.9
	Plywood	149.6	161.4	164.3	158.2	157.2	156.2	154.4	152.7	138.7	158.4	155.1

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
June 29, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*